

Message Text

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ACTION EB-08

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SUBJECT: WORLD BANK/IMF ANNUAL MEETINGS

REF: (A) STATE 183669, (B) MEXICO 13705

1. GOM DELEGATION TO BANK/FUND ANNUAL MEETINGS WILL BE LED BY TREASURY SECRETARY MOCTEZUMA. PER REF (B), ASPRA WILL NOT BE ATTENDING. OTHER MEMBERS OF DELEGATION NOT LISTED IN REF B WILL BE MIGUEL DE LA MADRID, TREASURY UNDER-SECRETARY (PROBABLY ONLY SEPTEMBER 24-26), BERNARDO SEPULVEDA, DIRECTOR GENERAL, INTERNATIONAL AFFAIRS, TREASURY, LEOPOLDO SOLIS, DEPUTY DIRECTOR GENERAL, BANK OF MEXICO, AND ALFONSO GARCIA MACIAS, DEPUTY DIRECTOR OF NACIONAL FINANCIERA.

2. GOM UNLIKELY TO MAKE ANY SPECIFIC PROPOSALS IN PLENARY SESSION. AS WASHINGTON AWARE, LATINS USUALLY HAVE A POOLED SPEAKER. THEIR POSITION IS DETERMINED AT THE CAUCUS HELD PRIOR TO ANNUAL MEETINGS. THIS IS TO BE IN CARTAGENA. MEXICANS MAY ASK TO SPEAK ON THEIR OWN, BUT HAVE NOT YET MADE A DECISION. IF SO, THEY WOULD LIKELY USE OCCASION TO POINT OUT PROGRESS MADE WITH STABILIZATION PROGRAM. TREASURY OFFICIALS ARE NOW SCOURING GLOBE TO SELL THEIR
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PROPOSED \$1.2 BILLION EURO CREDIT (SEE MEXICO 14443). THEY WILL PROBABLY USE ANNUAL MEETINGS TO PRESS PRIVATE BANKERS TO PARTICIPATE. THERE IS, NEEDLESS TO SAY, CONSIDERABLE CONCERN OVER THIS LOAN, AND A SPEECH IN PLENARY SESSION MAY BE CONSIDERED IMPORTANT PART OF A SALES CAMPAIGN.

3. ISSUES THAT ARE LIKELY TO BE RAISED OUTSIDE PLENARY

SESSION INCLUDE THE FORTHCOMING QUOTA REVIEW AND THE NUMBER OF LATIN AMERICAN SEATS ON THE FUND/S EXECUTIVE BOARD. GOM IS CONCERNED THAT A SEAT FOR SAUDI ARABIA IN 1978 COULD MEAN ELIMINATION OF ONE LATIN SEAT. ALSO, THEY FEAR THAT VENEZUELA MAY GET A SELECTIVE QUOTA INCREASE THAT WOULD MAKE ITS QUOTA LARGER THAN MEXICO'S, MUCH TO THE LATTER'S CONCERN. THEY SEEM TO BELIEVE THAT VENEZUELA MAY HAVE STRUCK SUCH A BARGAIN IN RETURN FOR A CONTRIBUTION TO WITTEVEEN FACILITY.

4. GOM ALSO REMAINS CONCERNED ABOUT THE FUND SHARING VALUE /CREDIT JUDGMENTS ON MEMBERS/ ECONOMIC PERFORMANCES. REGARDING THE DISSEMINATION OF INFORMATION GIVEN TO FUND, WE UNDERSTAND THE GOM DID AGREE TO THE RELEASE OF A SANITIZED VERSION OF THE RECENT ECONOMIC DEVELOPMENT PAPERS. THEY DO NOT BELIEVE SUCH PAPERS WILL PROVIDE MUCH, IF ANY ADDITIONAL INFORMATION TO PRIVATE BANKERS.

5. REGARDING THE WORLD BANK, MEXICANS ARE LIKELY TO DISCUSS THEIR BORROWING PROGRAM AND PRESS FOR FURTHER INCREASES IN THE BANK'S LENDING PROGRAM. THEY ARE CONCERNED ABOUT POSSIBLE ATTEMPTS TO DIRECT MORE FUNDS TOWARD POORER LDC'S AT THE EXPENSE OF COUNTRIES SUCH AS MEXICO.

6. IN BILATERAL CONVERSATIONS, MEXICANS ARE LIKELY TO RAISE, IN ADDITION TO ISSUES RELATING TO IFT'S, THE LIMITED OFFICIAL USE

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COMPTROLLER OF THE CURRENCY'S PROPOSED RULING ON 12 USC 84. THEY MAY ALSO WISH TO RAISE ISSUE OF ECONOMIC ASSISTANCE AS PART OF USC'S UNDOCUMENTED WORKERS PROGRAM, BUT WE HAVE NOT YET CONFIRMED THIS.

7. AN ISSUE THAT IS LIKELY TO BE RAISED WITH FUND STAFF AND POSSIBLY WITH US DELEGATION IS THE EFF PROGRAM FOR 1978. MEXICANS FORESEE NEED FOR FAIRLY SUBSTANTIAL REVISIONS IN PROGRAM AS DEVELOPED IN SEPTEMBER-OCTOBER 1976, IN PART BECAUSE OF THE CONSTRUCTION OF THE GAS PIPELINE, BUT ALSO BECAUSE OF A POSSIBLE DESIRE TO EXPAND SOMEWHAT PUBLIC SECTOR SPENDING IN OTHER AREAS. IT SHOULD BE NOTED THAT THE OCTOBER 1976 PROGRAM CALLED FOR SLIGHTLY LOWER PUBLIC SECTOR SPENDING IN RELATION TO GDP, BUT THIS PRESUMED A LARGER INCREASE IN GDP THAN IS NOW FORESEEN. QUESTION OF EFF PROGRAM FOR 1978 WILL BECOME MORE IMPORTANT TOWARD CLOSE OF YEAR WHEN FUND MISSION VISITS MEXICO TO WORK ON DETAILS. SHOULD THIS MATTER COME UP DURING ANNUAL MEETINGS, USG OFFICIALS MAY WISH TO INDICATE SUPPORT FOR INCREASED SPENDING ON GAS PIPELINE AND AN INCREASE IN THE CEILING ON THE NET INCREASE IN PUBLIC SECTOR EXTERNAL INDEBTEDNESS, WHILE SPECIFICALLY RESERVING JUDGMENT ON

OTHER ASPECTS OF THE PROGRAM UNTIL FURTHER DETAILS (PUBLIC
SECTOR SPENDING AND REVENUE PLANS, IMPACT ON MONEY SUPPLY)
BECOME KNOWN. LUCEY

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